

2008-0300071M4 — Olympic Medals

Date: June 26, 2009

Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA. Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: Taxation of prizes awarded to an athlete for winning a medal at the Olympic Games.

POSITION: Prize would be taxable under paragraph 56(1)(n) and would not be a prescribed prize.

REASONS: The law.

June 26, 2009

XXXXXXXXXX

Dear XXXXXXXXXXXX :

The office of the Right Honourable Stephen Harper, Prime Minister of Canada, forwarded to me a copy of your correspondence asking whether the Canada Revenue Agency (CRA) would be taxing the value of medals won by Canadian athletes at the Olympic Games. Please accept my apology for this delayed response.

I must clarify that the media reports you refer to dealt not with the value of the medals themselves but with the prize money the Canadian Olympic Committee paid to the Canadian athletes who won medals at the Games. Paragraph 56(1)(n) of the Income Tax Act states that the total of all amounts received in the year as, or on account of, a prize for achievement in a field of endeavour that the taxpayer ordinarily carries on should be included in the taxpayer's income. This provision of the Act would not normally apply to your example of a lottery winner; however, paragraph 56(1)(n) is sufficiently broad as to apply to a prize awarded to an athlete for winning an Olympic medal.

I note that the Act provides an exception to this rule for a prescribed prize. For purposes of this exception, section 7700 of the Income Tax Regulations defines a "prescribed prize" as any prize that is recognized by the general public and that is awarded for meritorious achievement in the arts, the sciences, or in service to the public. Although winning an Olympic medal may be an internationally recognized achievement and could indirectly promote a sense of nationalism, such a prize is not awarded in recognition of service to the public and therefore would not be a prescribed prize and would not fall within the exception.

However, the Government of Canada does recognize that sport continues to be a defining part of Canada's identity and is committed to providing support for Canada's amateur athletes where possible. For example, under previous income tax rules, athletes could defer paying tax on funds that were required, under the rules of the relevant international sport federation, to be held by a qualifying organization in order to preserve eligibility to compete at the amateur level. An athlete was generally taxed on those revenues only upon their distribution to the athlete. However, most international sport federations no longer impose this constraint on an athlete's eligibility to compete at the amateur level and therefore, the availability of this tax deferral was generally quite limited.

Accordingly, the Act was recently amended to ensure that a broader category of amateur athletes may benefit from the above-described tax deferral. The new rules will generally apply to an amateur athlete who is, in a tax year, a member of a registered Canadian amateur athletic association and eligible to compete in international sporting events. These amateur athletes will be able to place income for the year from endorsements, prizes, and other remuneration related to such athletic endeavours in a qualifying account. Income earned in the qualifying account will be tax-deferred in the same manner as income the athlete contributes to the account. This new measure will apply for revenues received in 2008 and subsequent tax years. These revenues will be taxed generally only upon the earlier of the date they were distributed to the athlete or, as with the existing rules, eight years after the last year in which the athlete was eligible to compete as a Canadian national team member. Eligible income earned in 2008 that was contributed to a qualifying account on or before March 2, 2009, may, if the athlete elects, be considered to have been contributed in 2008 for the purposes of calculating the athlete's income for 2008.

I trust that the information I have provided is helpful.

Sincerely,

Jean-Pierre Blackburn, P.C., M.P.

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